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THE GERMAN TARIFF CONTROVERSY.

BEGINNING with the sixties, Germany pursued a free-trade policy, but changed her policy in 1879. The new tariff was constructed upon the principle of universal though moderate protection. In 1885 and 1887 the duties protecting agriculture were raised.

This new condition of affairs carried out the wishes of the agricultural and part of the manufacturing classes. Of course, the export industry had protested against the change; but its fear lest other nations would respond to the increase of the German tariffs with an increase of their own, especially on German manufactured goods, was realized only in one or two instances.

As a matter of fact, the export industry was helped by the fact that, following the lead of France, a number of European states concluded tariff treaties with one another. It is true that Germany, holding aloof from this movement, remained in a fairly free position, binding herself only as to a few duties; and she limited the scope of her treaties chiefly to "the most-favored-nation" clauses. As a result of the treaties, however, German export industry

received in full all the privileges which the reciprocity tariffs of France and other countries granted to the contracting nations. The rates of these reciprocity tariffs were materially lower in amount than those of the general tariff, and they were established for a considerable length of time.

*Duobus rixantibus tertius gaudet.* In this case, Germany was the delighted third. While other nations bickered with one another for reduction of customs duties, she shared in all the profits without the cost of contention. On February 1, 1892, however, was terminated the situation which had such considerable benefit for us. Then the French tariff treaty and most of the others expired. The danger of a complete revolution of the previous tariff situation was imminent. In France a strong current towards protection had gained the ascendancy; and among the other countries the intention was becoming more and more apparent of rearing, in the future, higher walls against foreign competition. Russia, since the Turkish war, had gone on from one increase to another. The United States, which like Germany and Russia had held aloof from the reciprocity movement, had, by the enactment of the McKinley tariff, accentuated more strongly than ever its traditional inclination towards a Chinese wall.

In the face of this situation, Germany had to ask herself these serious questions: Ought she to follow the example of other states in view of the threatening high protection era, and thereby increase considerably the tendency towards mutual trade exclusion, or should she seek to prevent the further development of these tendencies and to secure for herself a decisive influence in the future formation of European trade systems, in the sense of international amity? \*—that is to say, to try to rehabilitate the system of reciprocity that had broken down.

Manufacturing interests urged the latter course. In 1879 they had been eager for the sliding-scale,—for the

\* *Official Memorandum*, December, 1891.

greatest possible elasticity of the national customs system. Now their desire was for the greatest possible stability of the tariff system for those people who were their customers. Since 1879 they had grown stronger and stronger, and had conquered larger and larger territories or sections of the world-market. To be protected against imports, through customs duties of moderate amount, was now of less importance to them. On the other hand, it was more than ever important to them to be able to develop their exports still further,—at least to have the assurance that they would never again be suddenly checked, as recently, by Russian and American measures. The more generally the protectionist belief extended outside of Germany, and as the very disadvantageous situation was more and more keenly felt as the date of expiration (1st of February, 1892) approached, the more did people make up their minds to the idea of a comprehensive tariff arrangement of long duration.

The ministry was also persuaded that this was the proper course, and that stability in the conditions of international exchanges was an indispensable condition to the prosperous development of domestic industry. Without treaty these conditions could not be guaranteed. The interest of the export industry coincides with the general interest, which meant that, if exports were to be increased and strengthened, foreign countries must be allowed to pay for the wares received with commodities of their own, and fewer restrictions must be placed upon imports than formerly.

It was clear that tariff treaties would be purchasable only at the price of certain sacrifices which our producers would have to make. In order to influence other nations to reduce permanently their tariffs on German manufactures, Germany must treat them in the same way. Concessions at the hands of agricultural nations, such as Austria-Hungary, Italy, and Russia, were to be obtained

only by the reduction of certain duties on agricultural commodities; concessions at the hands of manufacturing nations, like Belgium and Switzerland, by the reduction of certain German duties on manufactured products. In the first case certain branches of our agriculture had to pay the price, in the second case certain branches of our manufactures: therefore, opposition from various sides must be overcome. But, thanks to the exceedingly skillful, determined advocacy of this new course by the Chancellor and by Herr von Marschall (at that time foreign secretary), the first treaties (those with Austria-Hungary, Italy, Belgium, and Switzerland) gained in a short time the assent of the Reichstag. This occurred during the years 1891 and 1892.

The agreement with Russia, on the other hand, met with far more determined opposition. The diminution of the tariff on grain from 5 marks\* to  $3\frac{1}{2}$  marks, which had been made in the Austro-Hungarian treaty, had not especially aroused the opposition of the agrarian party. The reason for this was that the grain competition of these nations was on the decline. But, when the imperial administration suggested a like concession to Russia, a great storm of opposition broke loose. After a tariff war had raged for some time with the czar's realm, this act of international amity was consummated,—an act of great importance to manufacturers, the non-effecting of which would by no means have helped agriculture materially; for, if the duty of 5 marks against Russia were maintained, even though less Russian grain would be imported, more grain would be brought in from America, Hungary, and Rumania, subject to a duty of  $3\frac{1}{2}$  marks, owing to the continuation of the “most-favored-nation” arrangements.

The details of the individual concessions in respect to the agrarian and manufacture duties I cannot here

\*Per 100 kilograms. The examples following refer to units per 100 kilograms.

enter upon. The characteristic feature of the new German reciprocity tariff was the reduction of agricultural — especially grain — duties.

The wheat and rye duty was reduced

	<i>Marks.</i>		<i>Marks.</i>
from . . . . .	5	to	3½
that on flour . . . . .	10½	“	7½
oats . . . . .	4	“	2.80
barley . . . . .	2.25	“	2
malt . . . . .	4	“	3.80
maize . . . . .	2	“	1.60

Furthermore, the duty on imported wood (first levied in 1879) was diminished by one-fourth. The duty on wine, formerly increased, suffered a diminution of from 24 to 20 marks; but red natural wine and unfermented grape juice were reduced from 24 to 10 marks. Duties on meat were reduced from 20 to 17 and 15 marks, the duty on hogs from 6 to 5 marks, on butter diminished by 20 per cent. and on eggs by 33 per cent.

The “landed interest” of the great grain producers and forest owners east of the Elbe, as well as the vine-growers of the west and the cattle-raisers, had suffered a defeat.

## I.

The reduction of the grain duties was first arranged in a treaty with Austria-Hungary. At that time, 1891, as a result of poor harvests in Germany, France, and Russia, the price of grain was unusually high. After 1892, however, for a period of several years the price went steadily and rapidly down. The Cologne quotations for 100 kilograms of rye, wheat, and flour, and the Mannheim quotations for barley and oats, were as follows: —

	<i>Rye.</i>	<i>Wheat.</i>	<i>Flour</i>	<i>Oats.</i>	<i>Barley</i>
1891 . . . . .	22 2	23 2	31.0	16.1	18.7
1892 . . . . .	19.1	19 2	26.2	14.6	16 8
1893 . . . . .	15.2	16.4	22.1	16.7	17.7
1894 . . . . .	12.7	14.1	19.2	14.2	15.3
1895 . . . . .	12.6	14.7	20.2	12 9	15 7
1896 . . . . .	13.0	16.2	21.4	13 8	16.1
1897 . . . . .	13.8	18.4	23.9	14.1	16.7

The principal reason for this serious fall in prices was that Nature, which in 1891 had been so niggardly, was bountiful for a long time after that, bestowing upon Germany a series of good, and in some cases splendid, harvests. From 1892-97 the yield of wheat and rye, which had suffered the greatest fall in prices, was far above the average for 1880-97.

The price of grain sank by more than a mark and a half; that is, by more than the amount by which the grain tariff had been reduced. In a calm consideration of the actual situation the disturbance in prices could be attributed only in very small part to the tariff arrangement. The spokesmen of agriculture, however, deliberately ignored the glut, which was the chief cause, and threw all the blame upon the tariff reduction.

The "man without a stake in the soil," as Count Caprivi once described himself, had, without sympathy for or understanding of the agricultural interests, cut from their skin the hide which he offered to the treaty states as the price of their indulgence to our industries. Unfortunately, the customs treaty was intrenched in a long reprieve,—until 1903. It was necessary to take timely measures against the danger that after its expiration it should be maintained, or that even worse treaties should be made, still more disastrous to landed interests. If in the future they were to tie their hands at all, then it was the turn of the moneyed interests to pay the piper.

As early as 1892 an attempt had been made to found a "party of the plough." The first effective appeal came from a Silesian tenant. "I propose," says this call of December, 1892, "that we join with the Social Democrats, and resist the government with determination. We must proclaim ourselves. Only as we follow class politics ruthlessly and undisguisedly, can we possibly save ourselves."

In February, 1893, the *Bund der Landwirte* was

founded. (I will hereafter, for the sake of brevity, refer to it as the *Bund*.) It has carried out in masterly fashion the program of the foregoing appeal, and has with indefatigable zeal and admirable energy (with a zeal and energy which unfortunately have not been imitated by the opposing party) striven to make the agricultural interests the decisive factor in German politics. Its agitation in form and scope unprecedented in Germany imbued public opinion with an amount of agrarian spirit which would earlier have been thought impossible.

As Herr von Siemens said, "The belief that agriculture was in need of aid almost became the criterion of a gentleman: to doubt the value of the grain duties became the indication of an enemy of one's country and a revolutionist." \*

In the beginning the continuing low price of grain served as the most telling watchword of the *Bund*. When, after 1897, the price of grain again rose, it found a second no less telling cry,—*Die Leutenot* (scarcity of agricultural labor).

Thanks to the continuing good harvests, to the tariff treaties, to the development of shipbuilding dependent upon the latter, and to the rapid development of electrical industries, there began in the middle of the decade a period of great prosperity. The result was that agriculture lost many laborers. A great wave of population flowed into the coal regions and the manufacturing districts. One of the leaders of the *Bund* recently declared: "The landed interests will be injured, even more than through foreign competition, by an industrial system artificially favored and skilfully promoted, which through raising of wages by leaps and bounds renders an intensive agriculture absolutely impossible. Increasing expense and diminishing income are in the long run irreconcilable."

The industrial boom would indeed have come if the old course of adjustable tariffs had been continued. It would

\* Last essay in *Mitteilungen des Handels-Vertragsvereins*, 1903, p. 41.



have come to pass as a result of the continuously bountiful harvests and the rapid development of electrical industries, both of which movements were completely independent of tariff treaties. But, as to the scarcity of hands also the spokesmen of the land-owners deliberately ignored the other causes, and held as exclusively responsible the "accursed" system of "the little successor of the great Chancellor." The export-orgy must cease. To further the exportation of manufactured articles by the importation of agricultural articles, as happened in 1892-4, meant to condemn agricultural interests to perpetual impoverishment.

Like the fall in prices, the diminished number of farm laborers affected most seriously the landlords east of the Elbe. They were the ones chiefly interested in the future reversal of the trade policy of the empire. They were the ones who inaugurated, officered, and financed the *Bund*. But, in order that the *Bund* should become a power in public life, the lords must obtain a following from their former vassals. Here the fact of *die Leute-not* came in handy. While the clamor over the low prices of wheat and rye could only slightly disturb the great masses of German small farmers, the need of laborers was felt by every one. The more the industrial boom increased, towards the end of the decade, the more plausible did it seem to the medium and small land-owners that they must make common cause with the large land-owners.

But the consciousness of a common enemy in industry would not have sufficed to bring these elements together. To that end it was still necessary to reconcile conflicts of interests existing among the agriculturists themselves. The mass of the small farmers during the previous decade had turned more and more to cattle-breeding and allied rural employments. Higher duties on barley, hay, and Indian corn, necessarily raised the rents of grain-producing

land, but made fodder more expensive for the small farmers. Higher duties on wheat and rye benefited only the minority who produced more than they needed for their own consumption, while they injured all those who were obliged to buy their own bread-stuffs. An increase in the tax on fodder was opposed to the interests of certain agricultural groups as producers, and the increase of the tax on bread-stuffs was opposed to the interests of certain agricultural groups as consumers.

Had the landed aristocracy and the farmers of the public domain of eastern Prussia written for the *Bund* a platform limited to those things in which they were interested,—namely, to the increase of the grain duties and eventually of timber duties,—the power of the *Bund* to attract followers would have remained rather limited in spite of the scarcity of labor. In order to raise it to the highest possible maximum, the bait of the drag-net tariffs was necessary.

In order that each agricultural factor might be brought under the banner of the *Bund*, every faction must be given a share of the spoil. Hence the demand was for a “double” tariff (of minimum and maximum duties), with rates materially raised on *all* agricultural articles: a minimum duty of  $7\frac{1}{2}$  marks, as against  $3\frac{1}{2}$  formerly, upon the four chief kinds of grain; a minimum duty of 18 marks on live stock; correspondingly stiff rates upon animal products, garden products, oil products, vegetables, and flowers. Only when this program should be accepted in its entirety, only when, thanks to the minimum duties, they had the assurance of not being worsted in future treaties, could the agrarians undertake to support any of the demands of industry for duties: otherwise, they would fight to the utmost. For years in all parts of Germany was heard this catch phrase of “the seamless fabric” of heavily increased agrarian duties. “Come unto me, all ye who are weary and heavy-laden.” The *Bund*

promised to satisfy even the most extravagant demands, and stimulated them where they were not already active.

The result well repaid the effort. The country people joined hands for the fight against the people of the cities. Terrified by the danger that the agriculturists would give notice to terminate the tariff deal, a large part of the industrial people only dared in mild tones to protest against this very audacious program. They assented to it, indeed, with the reservation that good treaties might after all be concluded, extending, or at least protecting, exports, while the *Bund* had announced repeatedly and clearly enough that it left the renewal of treaties an "open question," and that it regarded the carrying of the minimum duties as a *conditio sine qua non*. Should the future negotiations with Russia and other countries be wrecked by those minimum duties, German industry would have to yield.

Count Caprivi, at the close of 1894, had to resign his chancellorship. Thus the minister who probably would have had sufficient backbone not to give way to the *Bund* was gotten out of the way. In 1897 also Herr von Marschall resigned. The venerable Prince Hohenlohe, a man indeed "with a stake in the soil," but no agrarian, possessed no longer the strength or disposition to carry on an energetic contest over a problem the settlement of which would not become necessary before 1903, when in all human probability he would no longer be in office. The actual leadership in German politics passed to Herr von Miquel, who had been Prussian minister of finance since 1890, and vice-president of the cabinet since 1897; but this man has had at all times a certain weakness for the agriculturists. It is true, it was not his intention to confirm entirely the extreme desires of the *Bund*. On the contrary, he announced the policy of a compromise of the contending parties upon a "middle line," professing the principle of the "parity of all national activities,"—

the simultaneous protection both of agriculture and manufactures. Fine but empty words, in view of a flood of ruthless agrarian agitation, which was intent on anything but parity, which desired simultaneous protection only on the understanding that it should be arranged exactly as it conceived it, which had committed itself to the most far-reaching claims in order to have behind it the whole agricultural population. Empty words, which even so eminent a parliamentary tactician could not have brought to fulfilment.

After he had withdrawn from the cabinet and Count Bülow had become Chancellor, Count Posadowski took the helm of trade politics, and guided it further in Miquel's direction.

In the year 1897 the so-called "Committee for the Preparation of Economic Measures" was summoned. This committee was to be given a provisional hearing as experts on the subject of the plan to be evolved for the new general tariff. In this committee the agriculturists, especially the large landed interests, were represented in a more considerable proportion than other occupations. The *Deutscher Handelstag*, the official representative of industry and trade, was granted only as many delegates as the *Centralverband der deutschen Industriellen*, a private union of certain decidedly protectionist branches of industry, especially the "heavy" iron industry. The composition of this consulting body upon the tariff proved that Posadowski was disposed to concede as much as possible to the party of protection for the national industries. The negotiations were carried on in secret. This much, however, leaked out: that when, by way of exception, the members of the advising body showed any moderation, the government commonly intimated that they should ask more.

Posadowski desired, first, a much more specialized general tariff than the former ones, and, second, a general

tariff with much higher rates. The object of both considerations was to secure a better weapon in the tariff treaty negotiations.

He argued thus: It frequently happens that another nation lays stress only on securing a reduction of rates on certain specialties, and is disposed to pay for this concession with one equally advantageous to us. But, if now the customs act be made up too summarily, and these specialties bunched together with many other articles under one head, we must lower the rate on the whole group for the sake of one article. The result of that would be that third nations, having the advantage of "most-favored nation" clauses, would profit by the reduction of the duties on the other commodities included in the same group, without having to pay an equivalent of their own therefor. The more specialized the customs act, the more compensation material there would be for treaties; and, the more general, the less there would be.

And, furthermore, the higher the rates of our tariffs, the greater the *aplomb* with which our diplomats could enter into negotiations. The higher our tariff, the lower would nations with whom we deal bow to us, and the more generous they would become in order to make us better disposed.

The outcome of this argument, entirely plausible to the overwhelming majority of the Economic Committee, was the tariff bill of 1901. It was a monster in bulk, with its 946 groups, hardly less specialized than the English tariff of the forties, which was then so energetically condensed. A giant in content! It is true it did not realize all the sanguine expectations in which the *Bund* and the *Centralverband* had revelled. Yet it contained high minimum rates for all kinds of grain, high tariffs on all the other agrarian products, and even many forms of manufactures secured sensibly higher rates.

The parliamentary commission, after the first reading *in plenum*, considered the project thoroughly,—so thoroughly, in fact, that daily fees were accorded the gentlemen. In this commission the wedge of protectionism was driven in still deeper. The majority in the ministerial committee as well as in the commission were high protectionists. But the agrarian element was more than ever predominant in the latter. When the representatives of manufacturers did not say *Ja* and *Amen* to all their demands, they were punished by the readjusting of the tariff on many manufactures to a lower rate. At the same time the agrarian duties were readjusted to a higher rate.

In the autumn of 1902 began again the debate *in plenum*. The battle raged for many weeks. Sometimes it seemed as if the tariff campaign would never end. The *Bundesrath* declared that the project had reached the utmost that the agricultural class could be offered: the majority supported the commission's decision. The minority resorted to methods of obstruction; and there was talking against time, such as our parliament had never heard before. Early in December, however, a compromise was concluded between the Chancellor and the parties which constituted the majority (that is, the Conservatives, the Centrals, and the National Liberals). Immediately afterwards the Opposition was gagged by means of an act of parliamentary authority of which it is needless to speak here more exactly. On the 14th of December, 1902, after a record sitting of nineteen hours, the new general tariff was accepted *en bloc*.

But even though the marshalling of the protectionist groups upon the "middle line" has succeeded, and though 202 voices against 100 \* have been registered in favor of the principle of increased simultaneous protection of agriculture and industry, the tariff controversy is by no means

\* Ninety representatives were absent, yet with a full attendance the ratio of yeas to nays would not have been appreciably different.

settled. The decisive battle is still before us,—the struggle over the tariff treaties,—and the battle will rage fiercely.

The extreme Agrarians held aloof from agreeing to the compromise between the Chancellor and the parties of the majority. It is true the tariff contains minimum rates for wheat, amounting to  $5\frac{1}{2}$  marks; rye and oats, 5 marks; malt barley, 4 marks. These rates are not only appreciably higher than those of the reciprocity tariffs hitherto in operation, but in some cases higher even than those of the present general tariff in operation; and, in addition, the tariff contains materially higher rates upon cattle and on all other agricultural products. But, according to the decision of the commission, the minimum rate for grain should have been  $\frac{1}{2}$  mark more, and for barley  $1\frac{1}{2}$  marks more; and minimum duties on cattle and cattle-breeding products should have been raised. In both of these important points the majority parties had yielded. The Chancellor had yielded only so far as to concede to malt barley a minimum rate of 4 marks; that is, twice the former treaty rate.

This fact, then (that too few agrarian duties were fixed definitively, and that, moreover, these few duties had been raised only by a very small amount; namely, 5 or  $5\frac{1}{2}$  marks as against  $3\frac{1}{2}$  marks), induced the *Bund* to let the representatives which it controlled vote against the tariff. In this it risked nothing, as the acceptance of the bill was assured.

On the other hand, it gained free play for the future in raising its arrogant cry of "all or nothing." Thus it had in no way pledged itself, and could urge its agitation as recklessly as before. It could further excite its followers with the complaint that the agriculturists had not in the least gained what it was their just right to demand.

While the administration and the majority had hoped

that peace would grow from the roots of compromise, the demeanor of the agrarian demagogues was more belligerent than ever. Over and over again in the later period the leaders of the *Bund* threatened, if the ministers — those great posers, as Herr Hahn recently called them — should dare to make even small concessions in the matter of the unfixed agrarian duties, the *Bund* would make every effort to prevent the Reichstag from ratifying such treaties. The future treaty, declared Herr Örtel, must be the exact opposite of the past one: the government must say, "*Pater, pecavi,*" in *optima forma*. To the middle parties, among whom, it was feared, would appear a tendency to make concessions on those agricultural duties which were not fixed (those parties being the Free Conservatives and the National Liberals), Herr von Wangenheim said that at the next election the *Bund* would wipe them off the face of the earth.

The situation is by no means cleared up as a result of the vote of December 14. How Germany's protectionist wall will look in the future is left entirely in the dark.

The only definite result is the fixing of minimum grain duties. The group of *Hauptagrarians*, as Schäffle terms them, the small but powerful group of producers in the territory east of the Elbe, has bagged its game. To the *Nebenagrarians*, the cattle-raisers, etc., as well as for the industrial people, the imposing cornice of the new tariff has for the present only a paper value, only the value of drafts whose worth is problematical.

The ministry wants reciprocity treaties, and believes that it can make them in spite of the high reciprocity duties on grain: reciprocity treaties are still possible, Count Bülow has said. Will the government go much below the present general tariff with those unfixed agrarian duties in order to realize this possibility? Is it inclined to such politics? Will it be confronted by other states with the alternative either of far-reaching conces-



sions in the matter of cattle duties, etc., in consideration for concessions to German manufacturers, or a tariff war? Nobody knows: two cases are conceivable.

I. The ministry might seek "compensation material" in the unfixed agrarian duties. For myself, I do not see how else she can induce Russia, Austria-Hungary, Rumania, Servia, and Italy to accord to our manufactured exports even as favorable conditions as formerly; and in that case the grain producers east of the Elbe will have "come out of it nicely," as we say, as the *beati possessores* of the minimum rates on grain. And our manufacturers also will have gained their point.

But then an elemental storm will begin within the *Bund*. The mass of the peasants, who only entered the *Bund* on the presupposition that they should have their drag-net tariff, will raise an outcry about the treachery of the landlords, who, they will say, have established themselves on solid ground, while the waves of foreign competition roll over the small farmers, as heretofore. The mass of these small farmers will call upon the representatives whom they have sent to the Reichstag to reject the agreements. They have, indeed, the majority of Agrarian representatives in their power; and, if they fall away, the landlords — *i.e.*, the conservative party — can hardly do otherwise than oppose the tariff treaties, however unwillingly.

Though such treaties would be acceptable to the industrialists, they would not have the power to secure their passage; for, to do this, it would be necessary to win over the alliance of the free-trade parties of the Reichstag. The latter, however, who are opposed to any higher grain duties, would for this reason vote "No," and together with the members of the *Bund* overthrow the treaties.

II. If the ministry carries on its negotiations on the supposition that the far higher protection of the new general tariff shall be secured substantially and really to the

entire landed interest, it is impossible to perceive how Russia can be persuaded to negotiate further.

If it plays the miser in regard to agricultural duties, it must play the spendthrift with the manufacturing duties. Thereby nothing will be accomplished with Russia, Rumania, Servia, and Italy, and not enough with Switzerland and Austria-Hungary. It is true that the Swiss have an interest in the reduction of certain German industrial duties, especially the duties on textile goods and machines, but have hardly less interest in the reduction of our cattle duties. And the interest of Hungarian agriculture in gaining a larger share of the German market counts for far more than the analogous interest of certain Austrian manufacturing branches. By mere abatements in regard to manufacturing duties it would be impossible to gain an agreement with any states. An understanding might be reached with the governments, but not the legislatures. These methods could not possibly be successful except with Belgium.

If the outcome of the diplomatic negotiations should be the conclusion of a tariff treaty with the latter alone, the result will be particularly pleasing to the *Bund* and to the right wing of the Conservatives, which follows in its train. Both, indeed, want tariff treaties only on condition that they cost the agricultural class practically nothing, and that the manufacturing class bears the whole burden.

If the negotiations should be wrecked by the insistence of Russia, as well as Austria-Hungary and Switzerland, upon the reduction of certain German agrarian duties, this, too, would be pleasing rather than otherwise to the extreme Agrarians. In that case the new general tariff goes into full operation as far as these nations are concerned, and in that case also the east Elbian agriculture will receive considerably higher rates in place of those minimum rates which its spokesmen represent as "utterly inadequate." The prospect of a return to the system of

sliding-scales, even of the outbreak of another merry tariff war with all the nations whose competition our agriculture has to fear, does not frighten the country party at all.

However, if the diplomatic negotiations should turn out this way, the middle parties, which for that reason would like to wipe the *Bund* off the earth, would change their attitude. They had, it is true, supported the tariff, but only with the prospect that in spite of it — nay, rather by force of it (owing to the more powerful weapons which it would afford to our negotiators) — tariff treaties might be concluded such as our industry wishes and must wish. The National Liberals and a part at any rate of the Free Conservatives, becoming opponents of the tariff, would excrete their vote of December, should this supposition prove mistaken.

This is true not only of them, but also of the so-called governing party, the Centre, which has a foothold in the agrarian as well as in the industrial districts. Owing to the pressure from the *Bund*, which was severe in the agrarian districts, the Centre believed that it was bound to go over completely to the Agrarian camp. It felt sure it could hold the industrial districts of this party through championing a material increase of the industrial duties. Gradually, however, the factory laborers have come to realize more and more clearly the danger of a considerable increase in the cost of living with which the new tariff threatens them. In many places in the Rhineland and Westphalia they are already demanding the setting up of anti-Agrarian candidates, and it is only a question of time when this movement will extend to other industrial communities also. Certainly, as long as there is still prospect that the reciprocity treaties will be concluded which favor the export of many manufactures, or at least assure the present volume of exports, it will assume no larger dimensions. It would, however, immediately swell like an avalanche as soon as this prospect

vanished, and then, in order not to lose support from the Social Democracy, that part of the Centre's representatives which has its voters in the manufacturing communities would have to go over to the side of the tariff opponents.

And then, too, the position of the future opponents of the tariff in the Reichstag would be considerably stronger than it is now. As soon as the prospect of good tariff treaties disappears, it would be certain that the Social Democrats in the election appointed for the middle of June would make brilliant gains.

And, furthermore, the alliance between the Agrarians and the protectionist groups of industry (especially the heavy iron and textile industries) would then break up. For, as far as industry is concerned, the alliance rests on the assumption that, in spite of the increase of agrarian duties and the fixing of minimum duties for grain, the export interest of industry will be conserved as heretofore.

If the ministry should come out empty-handed, or with a tariff treaty only with Belgium, it would then have on its side only the right wing of Conservatives and a part of the Free Conservatives and Centrals and a few National Liberals. In such a case they could scarcely do anything else than repeal the December tariff, which a great majority supported only because they wished to provide the ministry with better weapons for negotiation.

The ministry has prudently not served the notice of terminating the reciprocity treaties negotiated up to the present time. It has, furthermore, reserved the right to determine the date at which the new tariff shall go into effect. It can postpone it *ad calendas graecas*: in case it does not go well with the new tariff, it can attempt to reach agreements on the basis of the old tariffs or prolong the present ones.

It seems to me that the long contest will end in the latter way,—much ado about nothing. And I hope that

the result may be such that the tariff wall of Germany, which is already high enough, shall not be suffered to rise any higher.

## II.

Tariff questions are questions of might. The several occupations and parties do not trouble themselves about general interests. Each takes its position in tariff controversies according to its special interest.

Science is neutral, or wishes to be. It seeks the solution which answers to the public welfare. How, then, does German science regard the present problem?

During the second third of the nineteenth century the great majority of our scholars were a unit upon the proposition that freedom of foreign trade was the normal, or at least the ideal, condition. Its limitation, in the form of protective duties, was justified only temporarily:—

(a) Above all, to nourish infant industries. Friedrich List \* had found almost universal acceptance for the theory that for a people yet in the agricultural stage a protectionist interim is unavoidable: without it they would not be able to attain the higher stage, which is worthy of the effort it costs, and they would be obliged to renounce the harmonious development of agriculture and manufactures.

(b) Further, in order to help a useful branch of industry over a temporary distress, resulting from a sudden disturbance of international conditions.

(c) Finally, in order to bring back to reason other countries which threaten to injure us by their tariff policy. In short, the doctrine prevailed that every protective duty should justify itself either as an educative, or emergency, or retaliatory tax. As for the rest, "Hands off!"

Down to 1860 a great deal of convincing force dwelt in the theory of List, which established the most important

\* F. List, *Nationales System der politischen Oekonomie*, 1842.

exception to the principle of *laissez-faire*. British manufactures were far superior to ours in most departments, equipped with more perfect machinery, with more highly skilled labor, with cheaper capital.

Gradually, however, England's advantage diminished. Many branches of our industrial activity became the peers of those of Britain. From a good customer, Germany became a serious rival of the Island-Kingdom. Thus the postulate of educative duties, though indeed retained in theory by most of the text-books, lost in practice more and more of its significance. And, furthermore, as neither the situation nor the customs policy of other protectionist states furnished a protectionist motive, the Manchester School found among us constantly more disciples, among statesmen and business men as well as professors.

Nevertheless, about 1875 two factors arose which swelled the protectionist ranks to overflowing. The first was the critical position in which German manufactures found themselves. The rapid development which they had enjoyed after the French war, as a result of the indemnity payment, was followed by a long period of depression. Immediately after the crash of 1873 foreign, and especially British, competition made itself only slightly felt: the low level of prices kept them away from us. When, however, the first pressure had passed by and prices began to rise, England entered upon an economic ebb as a result particularly of a series of bad harvests. Since the purchasing power of her agricultural class was so much reduced, large quantities, especially of iron and textile wares, had to be sent abroad. Thus the tendency of the German market towards a rise was hindered by the dropping of the English market. This circumstance aided admirably the protectionist propaganda, which of course, in spite of the victory of the free-trade people, had remained ever active. Above all, the smelting and textile industries called for greater protection. Ger-

man industry, it was said, should not be permitted to suffer through stagnation of business abroad. Through the raising of the tariff wall the danger of a repetition of the sudden flood of foreign manufactures should be more securely guarded against than formerly.

The second factor was the critical situation, which did not yet, it is true, confront our agriculture, but might be expected with reasonable assurance in the future; *i.e.*, the more and more sweeping invasion of trans-oceanic and east-European grain. As long as Germany exported more grain than she imported, the country party had been thorough Manchesterists in their theory. Now, however, when the previous situation threatened to be reversed, the agriculturists united with the manufacturers, whose opponents they had formerly been, and, energetically supported by Prince Bismarck, carried the tariff of 1879.

The professors joined in this change of attitude, avowing the belief that Germany under the existing circumstances would have to give up free trade.

Only a few, particularly Nasse, remained true to the old flag, saying that manufactures no longer needed the protection which formerly they had rightly received for their early encouragement. No one should let himself be deceived by the temporary pressure from the other side of the Channel. It was wrong in principle to undertake to guarantee to the landlords their present ground rents. It was true that thus far those landlords had asked little (only a duty of one mark for grain), but in the future they would ask more and more. Therefore, the correct policy was *principiis obsta*.

Others, like Conrad, preserved a sceptical attitude towards the increase of industrial taxes, but acknowledged the temporary need of agrarian duties. By the according of a moderate grain protection, they thought, the agriculturists would be enabled, without undue haste, to turn from the raising of grain to other less threatened branches of

production. The security that this would so turn out (namely, that the favor of the nation would not be misused in such a way that the landlords should remain in the old ruts) could only be secured if protection were accorded for a limited number of years, in the course of which it should be diminished more and more: higher duties at first, then gradually lower, finally free trade again.

This course, in my opinion the correct one in principle, was not followed by our law-makers. Agricultural as well as manufacturing duties were placed in the tariff without time limit. While the manufacturing duties, as compared with the duties of 1879, were not considerably increased, the agricultural duties verified the proverb that "appetite comes with eating." The moderate duty of 1 mark on grain was increased to 3 in 1885, and then to 5 in 1887, an exceedingly high rate, equivalent to a levy of 30 to 40 per cent. of its value.

Such a trade policy, aiming to maintain a high ground rent for the landlords, kept down the standard of living of our laborers; for it forced them to eat more costly bread than their English brethren. This trade policy stood in remarkable contrast to the social policy of our realm, so inclined to favor labor and so urgently favored and supported by our economists. But at that time this contradiction was hardly appreciated, for soon after the passage of the new grain bill of 1887 a boom set in. In spite of the fact that the cost of living was higher than it would have been under free trade, the economic condition of the "fourth estate" was improved. Therefore, only scattered voices from academic circles were heard in opposition.

Furthermore, economic science hardly took part in the contention over the Caprivi treaties. So far as can be judged, it assented, or rather the majority of its spokesmen, to the reduction again of the grain tax, which brought about the agreements with those other grain exporting states. Shortly after the conclusion of these treat-



ies, another boom set in, which lasted until the end of the century. (See page 370 above.) The grain duties, although moderated, were still quite high; but the cost of the necessities of life remained exceedingly low for a long time. After 1898 they rose again; but, since at the same time prosperity was at its height, wages rose in at least equal measure.

As long as this situation obtained, which satisfied the agrarians as well as the manufacturers, the *entrepreneurs* as well as the laborers, science troubled itself but little with the questions of trade policy. Such differences as there were remained latent. That such contentions existed did not appear till the ministry came forward with the tariff proposition of 1901, according to which the tariff was to be raised higher than ever.

At present three tendencies are clearly discernible:—

1. A tendency which professes the principle of protection, and which has overthrown the formerly prevailing doctrine of free trade as the normal, or, at least, the ideal state. This tendency is divided into two groups:—

(a) The first section represents the demand that all branches of national labor which operate under more unfavorable conditions than their foreign competitors shall be accorded a protective duty, the height of which is to be so fixed that the difference of the cost of production will be compensated. All branches of national labor should be secured from the danger of shrinking or disappearing as a result of the invasion of foreign commodities. What has been produced hitherto should also continue to be produced in the future. The competitive industry from without should not be allowed to injure the *jura quæsitæ* of the home agriculture and manufactures. The consumer, in the interest of the maintenance of national labor in its *status quo*, must adjust himself to this system of general permanent compensatory duties. “The consumer never has the right to obtain his goods at a price which does not

cover the cost of production," lately remarked a representative of this group. So far as foreign competition prevents the native producer from clearing his expenses, it must be barred out.

This is the Vulgate of the protective system. It is the conception of the protectionist dogma, which has everywhere and always found supporters and still finds them. It has recently been formulated for them again, as sharply as can be imagined, by the late Thomas Brackett Reed, in an article in the *North American Review*, 1902, pp. 751-753. He says:—

Protection is no medicine, to be dropped as soon as possible. . . . It is food. The medicine notion comes from the early arguments for the selection of infant industries to be fostered and cherished. Time and experience have enlarged the notion of protection. . . . They have shown that protection is not a privilege, but a system. A privilege might be robbery. A system must justify itself by results. The principle which underlies protection is the securing at all times to the American people the markets of America. All the work of the nation shall be done by the people of the nation. . . . Any system which enables our people to do our own work is the system which can give, and has given, the best results. . . . Protection is justifiable because it is of general application. The whole nation gets the benefit of it.

*Tout comme chez nous.*

Among us, too, List's medicine theory of the protection of infant industries has yielded in favor of the food notion, according to which the protection system is of general application. Like that German professor whom I have just cited, Mr. Reed, in another connection, urges that "destructive competition is an evil: the world cannot afford to have a trade which does not give a fair profit" (p. 748).

But in the case of America a whole party acts on that dogma: among us only a small number swear fealty to this canon.

(b) Far more influential is the second section, which

desires the system of compensatory duties, not as general and permanent, but only particular and temporary. They would continue them, it is true, for an indefinitely long time, under some circumstances for all futurity. This group, which honors as its leader Wagner, the famous Berlin economist, is concerned quite exclusively for the protection of our agriculture. To that end the further development of Germany as a manufacturing nation should be prevented, or at least its rapidity checked. That is to say, this group fears that a nation ever exporting a greater amount of manufactured products, and importing an ever greater amount of necessities of life and raw materials, will fall into a constantly more precarious situation, becoming more and more dependent upon the nations, which would be not only its customers, but also its purveyors. A more intimate interdependence of the national agriculture with national manufacturers should be sought for. Germany must once more become economically self-sufficing.\*

A few of this group content themselves with demanding only that the further decline of German agricultural production be prevented. Others, on the contrary, demand a restoration of it to such a point that Germany shall at least raise the provisions which she herself needs; that is, "shall keep under the protection of her guns the ground upon which her grain grows and her cattle graze."

While the first section cherishes the principle of the "parity of agriculture and manufacture," the second regards agriculture as far more important, as being to their minds the one with which the national interest coincides. Many wish, presumably, in the bottom of their hearts for a general reduction of protection to manufactures, not merely on such implements as form cost elements of agriculture (such as machines), whose cheapen-

\* For the reasons advanced for the self-sufficiency policy, see the discussion under heading III.

ing would be for the advantage of agriculture. If the English, Belgian, Swiss, and American competition should cause the contraction of certain branches of our manufactures, labor would be set free for the use of agriculture. The agricultural wage would diminish, and an impetus would be given to the expansion of domestic agriculture. They do not publish this desire, of course: they express it only in secret; for to stand for lower manufacturers' duties would be to risk the loss of their industrial allies.

The tariff of 1902 was greeted by this section, as well as by the first, with joy. Only to their minds it did not go far enough in the direction of agrarian protection. They are not exactly hostile to a continuation of the treaty era. But if, as a result of the fixing of minimum rates for grain or as a result of some other hindrance, new agreements are not perfected, this outcome of the tariff contention would suit them better than to see agriculture again "sacrificed" to industry, as was done in the Caprivi treaties. The possibility of a treaty-less condition frightens them as little as it frightens the Agrarian party. "The tariff," says one of their champions, "is a weapon useful either in negotiation or for tariff warfare." And if, in the latter event, our export of manufactures falls off, our agriculture will profit in consequence. The higher the duties of foreign countries upon German manufactured products and the higher the German duties on foreign agricultural products, the surer is it that the great object of self-sufficiency will be attained.

The American protectionists seek two irreconcilable objects, the retaining of the home market for manufactures and the gaining of further foreign markets for the farmer. They do not understand that to buy less manufactured goods from foreign countries is to sell less food products and raw materials to them. Our advocates of self-sufficiency see more clearly. They know that the reten-

tion of the home market for the farmer is not possible without the renunciation of further gains of foreign markets for manufactures. They know that a falling off of agricultural imports must bring with it a falling off of manufacturing exports, but this consequence they readily accept. Your protectionists are still floundering in the great error of Mercantilism. Our protectionists are a little more modern. They are rehabilitating again certain grave mistakes of the Physiocratic system.

That is the quintessence of the wisdom of our anti-industrialists. Economic activity should be founded upon the solid rock of national agriculture instead of upon the quicksand of export industry. With arguments precisely similar to those first advanced by Quesnay's school against Colbert's regime, this group combated Caprivi's régime, which is alleged to have disregarded the true welfare of the nation, determining the tariff problem with sole reference to the industrial or mercantile interests.

As in the time of the corn-law struggle (when Physiocratic doctrines had their first renaissance in the theories of the British landlords) the anti-industrialists protested that, in the case of the victory of the Manchester party, England would lapse into a constantly more oppressive slavery to the countries which furnished her with food, so to-day among us (since, in spite of the duty, agricultural imports have hitherto steadily increased) the wail is heard that "Germany will be reduced to a nation of dependents," that she is already groaning under a "latent foreign domination" which will of necessity make itself felt even more severely in the future unless deliverance is attained by means of a substantial increase of grain and cattle protection,—domestic politics instead of world politics.\*

\* Compare the book written shortly after the repeal of the corn laws by Ledru-Rollin, *De la décadence de l'Angleterre*, 1850, vol. iv. The biting, malicious criticism which this collectivist, strongly influenced by the Physiocratic doctrine, showers upon the industrial evolution of England, reaches its climax

2. Between this tendency favoring a reactionary or at least stationary policy and the progressive school (discussion of which we will defer to the end) stands a group of scholars who occupy a middle position. Schmoller and Conrad belong here.

The Historical School, of which Schmoller is the leader, has always denied the possibility of an absolute solution of economic problems (as I once expressed it, the system of absence of system); and according to it "the tariff problem permits of only a relative solution," which must be determined according to the concrete conditions, and allowances made for place and time. Here free trade, there protection, meets the real needs and powers of a people: at one time it is advisable to open the gates wider, and at another less widely.

Regarding the concrete situation of Germany at present, Schmoller favors raising again the agricultural duties reduced in 1892-94; for, while he is careful to deny the usual exaggerations of the self-sufficiency advocates, he still believes with them in the existence of serious and far-reaching agricultural distress. Under these circumstances it is the duty of the State to help the weak: if the tariff wall is not raised, part of the German grain producers will be ruined. Duties on bread-stuffs to the amount as fixed at present, instead of the earlier considerably higher minimum duties, are, as he thinks, questionable. This is true also of cattle and meat duties. He goes part way with Wagner's party; but, while inclined to approve the

in the ejaculation "*nation subalternissée, vassale de l'étranger.*" "Russia and the United States," he said, "do not need to attack England at all. if they only close their ports while England begs for bread, it will be all up with the latter." Incidentally, be it remarked: To-day the Physiocratic doctrine enjoys a second renaissance, not only among us, but also on the other side of the Vosges and of the Channel. Like the partisans of M. Méline, the British and colonial agrarians are also working for an imperial federation, for the favoring of grain from Canada and other colonies, with Quesnay's argument as to the uncertainty of food products from abroad. Both the former and the latter dangle the spectre of a threatened dependence upon "foreign bread lands."

"drag-net" system of protection for agriculture in general, he disapproves the high protection of fodder. The international situation requires particular encouragement for our grazing industry. Its corn, oats, and barley ought not to be made more expensive.

The extreme agrarians want to have all agricultural products burdened more than now, so that all classes of agricultural people will feel a community of interests in regard to the tariff. Schmoller places the interests of the farmers who are the mainstay of cattle-raising higher than those of the landlords, who for the most part raise bread-stuffs and fodder. Bread-stuffs duties he is willing to discuss, but only "when they do not make the price of provisions too high." The demand for higher duties on cattle and meat he makes without that modification.

The chief difference between him and the partisans of the *Bund*, particularly the academic anti-industrialists, consists in the fact that the latter hope for rather than fear an era of tariff warfare, while Schmoller approves the December tariff now under consideration, only upon the condition that it shall not create a hindrance to the conclusion of the treaties like the past ones. With this tendency favorable to treaties, he approaches the position of the progressives, but in contrast with them, since they are pessimistic as to the possibility of bringing about such treaties on the basis of this tariff, he believes that the considerable increase of agrarian as well as industrial protection determined upon December 14, 1902, signifies not only no hindrance, but is rather a *conditio sine qua non*. "For to-day the world is in the midst of a phase of neo-Mercantilism." \* Russia and the United States have fallen into a high protective system of the worst kind, a régime "vaunting its might and power." In the face of this existing condition in the world of tariff politics every State is obliged to encase itself for defence

\* In the case of France, Italy, and Germany, we must, as we said above, speak of neo-Physiocratic policy.

in an effective armor of duty. To-day there is being formulated a considerably higher general tariff which constitutes the "indispensable bridge" leading to the rational peaceful *modus vivendi* with our bad neighbors. *Si vis pacem, para bellum*.

By clothing herself in a far heavier coat of tariff mail, Germany gains an "international weapon," by force of which she will more surely bring to reason those peoples who have fallen into the mania of high protection than if she were to enter the field of battle with the light weapons hitherto used. "Only in case Germany should raise materially her duties, in order to abate them later on in accordance with the attitude subsequently taken by other negotiators, will she be able to fulfil the duty set by concrete conditions; namely, to fight neo-Mercantilism by means of treaties, and to establish a reasonable means of equitable and just trade policy in the world of international intercourse. From this standpoint I approve the idea of a higher bartering tariff, if by its use good treaties can be secured."\*

Conrad stands nearer to the progressive tendency. This leader of the Halle school refuses to assent to a raising of the tax on bread-stuffs, by means of which, as Schmoller says, "one can drive a bargain." Conrad protests not only against the raising of the duty on fodder, but even puts himself on record as in favor of its reduction and, if possible, abolition in the case of oats. Only for cattle and cattle products should a more effective protection be guaranteed. "Here is already recognizable a strong upward movement, and results can therefore be confidently expected from the stimulus without injuring the community very much."† Lard and bacon, however, he excepts. The lower classes ought not to have

\* Schmoller, *Rede auf dem Congress des Vereins für Socialpolitik*, September 24, 1901.

† Conrad, *Die Stellung der landwirtschaftliche Zölle* (*Schriften des Vereins für Sozial-Politik*, 1900, Band 90).



their standard of living depressed. Schmoller entertains this misgiving only as to the duty on bread-stuffs.

While Schmoller has not spoken distinctly and clearly any further on the cardinal question of the tariff controversy,—namely, whether the broader development to the position of an industrial state is to be checked or not,—Conrad distinctly declares that for our increasing population to procure adequate employment, and to raise the well-being of the whole country, which agriculture cannot in the same measure bring about, German manufactures “are to be maintained at their present position, and, if possible, a further expansion brought about.” In the interests of manufactures the former course of trade politics should be continued. No minimum tariffs for grain should be laid down, for such a concession would only be secured at “the cost of an excessive sacrifice of manufacturing interests. The interest of German agriculture is not the only thing to be considered; but, above all, one must take into consideration the concessions in the treaty negotiations, what concessions, for example, would have to be made to induce foreign countries to make concessions to our industrial products.” Furthermore, Conrad declares with emphasis that even moderate agricultural protection is justifiable only as a transition step.

Thus he energetically opposes the advocates of self-sufficiency, who consider alone the interests of agriculture, who not only wish agricultural protection to endure for a length of time that cannot at present be foreseen, but also under some conditions (in case the future of the trans-Atlantic and east European competition should become keener) that it should be increased more and more.

You see the attitude of our science with respect to the tariff controversy appears in every possible form. The reactionary group, as far as it affirms the system of general permanent compensating duties, bears a close relation to Mercantilism; as far as it is hostile to manufacturers, it is

related to the Physiocrats. The moderate position has, in Schmoller, a representative of the *fair-trade* principle, in Conrad an adherent of the doctrine once prevalent among us of free trade as a rule, and protective duties as the exception.\*

And, finally, now there is

3. The progressive tendency, which includes in its ranks two scholars of the first importance, Schäffle and Brentano,† and which follows, though still somewhat cautiously, the footsteps of the British free traders.

“In the present stage of development of Germany the real protection of national labor is free trade” (Brentano). “In the long run neither agriculture nor industry can be made healthy by tariff increases” (Lotz). This position does not require that the present protection should at once be laid aside; for in this way our activity might suffer a set-back, and capitalists, *entrepreneurs*, and laborers in those branches to which the sweet poison of protection was formerly accorded would be subjected to severe hardship. It only demands that in the future the tariff wall shall not be built up any higher, but that it be gradually and cautiously pulled down. If this demolition of the tariff wall is accomplished by means of treaties, according to the principle *do ut des* so much the better. Of course, it is naturally to be preferred that Germany should reduce her tariff bulwark move by move; that is, exchanging each duty removed on her own part with an equivalent foreign duty removed.

But while those of this position are decidedly inclined to work for the continuation of Caprivi's course, they do not share in the conviction that the right means to the

\* Conrad justifies the raising of cattle duties as being an educative measure (that is his meaning when he speaks of *stimulating*), and the retaining of duties on food-stuffs by appeal to the critical condition of agriculture.

† A. Schäffle, *Votum gegen den neuesten Zolltarifentwurf*, 1901; *Gefahren des Agrarismus für Deutschland*, 1902.

Brentano, *Das Freihandelsargument*, 1901; *Die Schrecken des ueberwiegenden Industriestaats*, 1901.

end is to increase the general tariff with a view to procuring more from other states by conceding more. And, furthermore, they do not accept the principle of *do ut des*. Foreign concessions are to them no absolute prerequisite for Germany's progress on the free trade road. Even if other states cling tenaciously to the former amount of protection, it is held that this step is still expedient. It is believed that Germany would only hurt herself by a policy of refusing to lower her protective walls because foreign countries are foolish enough to believe in the blessing of Chinese walls.

The reactionary tendency desires tariff duties only if agriculture does not again, as in 1892-94, have to foot the bill. It is anxious that Germany should make herself self-sufficing in the matter of the necessities of life, even if it has to be accomplished at the cost of a tariff war. The progressive tendency wishes that the development of Germany to an industrial state shall continue further, that this development shall still be promoted (but without over-doing), either through tariff treaties, like most of the former, or through the spontaneous independent removal of duties. It wishes our economic life to be more and ever more closely identified with that of the world. For the stronger manufactures become, and the more the territorial division of labor between our country and other lands is perfected, the more will the material welfare of Germany increase.

Upon what grounds this position rests I will consider below. If I formulate the arguments as I myself deem them correct, it is because I believe that I voice in essentials the thought of all those who believe that regard for public welfare requires a free trade policy favorable to manufactures.

## III.

Every tariff controversy of any importance, on the one hand, revives, by its own significance, the whole array of arguments of a general sort with which the partisans of protection and free trade have attacked one another from time immemorial; but, on the other hand, certain arguments directed to the concrete situation will be brought into the field.

1. We cannot here enter into the grounds of a general sort. To expound at length the reasons why I defend the free trade principle is precluded by the limitation of space set upon my article.

But I should like to refer only to a single point, and that in connection with the above-mentioned article by Mr. Reed, which so concisely represents the traditional protective doctrine, when he says that "securing at all times to the American people the markets of America is the system that can give, has given, the best results. . . . The whole nation gets the benefit of it."

At the beginning of his article he says, however, that the paramount principle of all economics must consist in the introduction of labor saving machinery. "Upon such invention and use depends the whole material progress of the world." To that statement I fully assent. It is, however, in strongest contradiction to the protectionist dogma: it is in fact the logical negation of it. For "all the work of the nation to be done by the people of the nation" means nothing else than the contrary of labor-saving: it implies waste of labor. If I am against the protectionist system, it is first of all because the territorial division of labor which results from free trade operates like labor-saving machinery. To pull down the tariff wall is to reduce the national cost of production, and to derive a greater total product from a given expenditure of labor and a higher national dividend

than formerly. Therefore, it is true of *free trade* that "the whole nation gets the benefit."

To be sure, if our gates are opened wider for foreign competition, certain branches of national activity—such as have a higher cost of production than their rivals in foreign lands—will shrink, perhaps even be destroyed. But this action—unfavorable to the special interests of the several *less productive* branches—is in the interest of the nation at large, as increasing imports lead to increasing exports,—*acheter c'est vendre*. *The more productive* branches at the same time will better their chances. A shifting of labor with the effect of labor-saving will be the result.

"All good progress," says Mr. Reed, "has its temporary sorrows. . . . Displacing the old with the new is never without its complications and minor evils, which correct them[selves] in due time." He says this of the introduction of machinery, but it is just as true if breaches are made in the tariff wall. "Displacing the old branches" (which decline with increasing imports) "with the new" (which expand with increasing exports) "is never without its complications and minor evils"; yet even these "correct them[selves] in due time." A final result is here also a good "progress" as the result of labor-saving.

Merely upon this ground I should dissent from the new course. A tariff which is drawn up with the idea of compensating duties, which designs to maintain such branches of German industry as have a higher cost of production than their foreign rivals, will not make our people richer, but poorer than they might be.

2 As concerns the arguments directed towards the concrete situation, which have been brought forward in favor of raising the tariff law, they are separable into two main groups.

(A) Wagner's group (as well as the Agrarian party which defends itself with the doctrine of this group)

urges higher agricultural protection as a preventative against certain dangers which lurk in the development of Germany during the next few decades to an industrial state,—a development which has been accelerated by the Caprivi régime. They are of the opinion that, if that development is not checked, our economic life will incur a double risk. First, those lands which to-day buy our manufactured articles will take production into their own hands sooner or later. Second, those lands which now furnish us with food and raw materials will sooner or later cease to sell them, and will work up their own materials as a result of increased industrialization, and consume their own bread as a result of increasing population. For a while this territorial division of labor (between us and those nations which are at present our customers, as well as our purveyors) might subsist, and, perhaps, even become more intensive. But, ultimately, this arrangement will be broken up, and industrial development will decline, and thus serious calamity will break in upon us.

What a depreciation of capital and what an amount of unemployment, when once our industry is excluded from foreign markets! What misery when sometime bread-stuffs and meat, wool and cotton, iron and copper, shall become restricted! What ignominious tyranny threatens us from the raw material states, which will exact an exorbitant price from us for their food and materials, and will be able to beat down our manufactured products to ruinous prices!

For this reason manufactures ought not to be allowed to progress any further, and timely care should be taken that the production of raw materials of Germany shall not dwindle still further. To continue on a course which will surely only end in a *cul-de-sac* is utter folly.

In answer to those arguments the following may be said:—

Supposing that in the future the industrial development

of the state should be retarded, the result would not be nearly as bad as the morbid fancy of this group conceives. For this process would be accomplished very gradually, and would cast its shadows far in advance, so that men would be prepared for it. Only gradually could our customers accomplish their industrialization and the increase of population of our purveyors come to pass, and as gradually would our production of raw materials be forced to expand again.

I need not dwell longer on this point. It is more important to emphasize that it is exceedingly doubtful whether that process is likely to take place at all. At this point, however, a distinction must be made. One of those two dangers with which the anti-industrialists seek to frighten the public does not exist. The other danger exists, perhaps,—indeed would exist, even if Germany should desire to make herself “self-sufficing.”

(a) That the growth of industry in the present raw material states must bring about the shrinkage of our export of manufactures is a mistake. Is it true that, as was once feared, the exports of manufactures of France and England—that is, the old industrial states—declined, as Germany, Switzerland, Belgium, and the United States gradually engaged in manufactures? Not at all. These new manufacturing states turned to other export articles than the former states. Not destructive competition, but wholesome differentiation of nations; not gradual decline, but gradual growth of exports,—has been the result of the extension of industrialization. The new industrial states have become better customers to the old than formerly, when they furnished only the raw material. An enormous proportion of total trade in manufactured articles takes place between the old and the new industrial States, as, for example, between the purely industrial States and the agricultural-manufacturing States of the Union, where in the days of trade jealousy the mother country most

earnestly strove to prevent the manufacture even of a nail.

Why should the result in the future be any different? Why should the decline of our export industries, taken as a whole, set in, in case Russia, Canada, Central and South America, eastern Asia, Cape Colony, and Australia should develop manufactures at some future time? If to-day a more extensive division of labor is taking place within the industrial realm, and a comprehensive interchange of products between countries like England, France, Germany (that is, lands all of which lie in the temperate zone, all on about the same plane of social and economic development), is it not probable that such a division of labor and such intercourse will not only continue, but extend even further, when it includes not only the industrial states of to-day, on the one side, but Russia and others, on the other side? For between the former and the latter there is a much greater diversity of natural as well as social and economic conditions than exists between England, France, and Germany.

Not less, but more, only in part different, products will be sent by the industrial states of to-day to the states of the raw materials after their industrialization shall have been completed. What will these products be? We cannot answer that at present, any more than in 1830 or 1840 could any one have told in what way the division of labor and the trade between England and Germany would shape themselves after the latter had entered the ranks of industrial states.

It is an old error into which Wagner's group has strayed,—the mercantile error of the lack of harmony in the economic interests of peoples. Hume refuted it in his famous Essays:—

The more the arts encrease in any state, the more will be its demands from its industrious neighbors. The inhabitants, having become opulent and skilful, desire to have every commodity in the



utmost perfection ; and, as they have plenty of commodities to give in exchange, they make large importations from every foreign country. . . . It is obvious that the domestic industry of a people cannot be hurt by the greatest prosperity of their neighbors. . . . Where an open communication is preserved among nations, it is impossible but the domestic industry of every one must receive an encrease from the improvements of the others.

Only a readjustment would be necessary for the export trade of Germany if Russia and other countries should become industrial, but no decrease of the total of manufactures exported.\*

(b) But it is somewhat different as to the danger that food supply and raw materials may become scantier. Unquestionably, this possibility lies in the far distant future. In Europe itself there are lands enough which could increase enormously their power of furnishing a surplus of raw materials,—above all, Russia and the Balkan States. And Siberia, India, Mesopotamia, the north coast of Africa (once a rich region, now dried up like the land between the Euphrates and Tigris only as a result of the decay of the irrigation works), Argentine, South Brazil, Paraguay, the Cape, and “last, not least,” Canada and the United States.

In these places the increase of population can go on for an indefinite time without causing Germany and England any anxiety. On the contrary, the surplus of production over needs would go on still further in those quarters of the globe if population should increase. For everywhere there is still a lack of labor, and everywhere the cry is that the scarcity of hands does not admit of fully taking advantage of the existing resources. Down to the present time, in spite of the great increase in the number of people which has taken place in the United States, etc., in the course of the nineteenth century, the total of food products has grown much faster than the total of consumers ;

\* Cf. my *Weltwirtschaft und Volkswirtschaft*, 1900, pp. 66-68.

and, consequently, exportation from these regions to western Europe has hitherto steadily risen.

The contention variously expressed among our pessimists, that the period of the *extensive* opening up of the world is coming to an end, is absolutely false. The bread-yielding area can yet be incalculably extended. Furthermore, through the *intensive* working of fields already under cultivation an enormous increase in the net yield of food-stuffs would result. In the future the springs of nourishment will flow more liberally than heretofore, and this not in spite of, but because of, a further increase of population.\*

However, no one will deny that the "interregnum of superabundance of food" (Oldenburg) will ultimately come to an end. As population grows to larger and larger proportions, the law of diminishing returns must gradually set in, in more countries, as has been the case in western Europe for generations. Continually, more countries will be put out of the position of supplying the industrial states with food, as in the past.†

When that time is to come is an uncertain, obscure matter. That it *may* come some time is undeniable. But, admitting this, there is no argument for a policy of national self-sufficiency, and against the "cosmopolitan export policy" (Oldenburg) followed since 1892-99,—for the danger that the sources of nourishment will gradually fail is fully as imminent for the self-sufficing economic unit as for one involved in the net of the world's commerce, importing food and exporting manufactured products,—this danger threatens an harmoniously developed agricultural and manufacturing state as much as a one-sidedly developed industrial state.

A people drawing its nourishment from the national

\* *Weltwirtschaft und Volkswirtschaft*, pp. 101-103.

† I am not going any further into the question of the decline of imports of raw materials (agricultural and mineral products). Its place is so important that that question does not differ from that of food-stuffs. Moreover, it plays only a secondary rôle in the plea of the Wagner people.

soil, in the event that the number of consumers increases faster than means of subsistence, may experience a bread famine as easily as a federation of people among whom one group produces the food and another carries on the manufactures.

(c) But, assuming that I may have been wrong in the answer brought forward, even then I would oppose the new tariff; for those dangers could not be avoided by means of higher agricultural protection.

The Wagnerites suppose that to burden bread-stuffs, etc., more heavily will work an expansion of our agriculture, or at least will assure the maintenance of its *status quo*,—in any event, “retarding” the development of Germany towards industrialism. I deny, however, that such a result is to be expected.

Wherever there is still much land lying fallow, higher protection, on account of the rise of prices and increase of rents which it brings about, will not only enhance the value of the land already occupied, but will also give an impulse towards taking into cultivation lands hitherto unoccupied; that is, it will advance domestic farming. Among us, however, well-nigh every arable acre has been taken under cultivation.\* Since this is so, the higher agricultural protection will surely raise the rent of the producers; but it will probably have no effect as a stimulant of production, constituting in the long run, at least, no hindrance to the further development of manufactures.

For, as long as the value of land rises in harmony with the higher protection, and prices and rents rise with it, our agriculture will remain exactly in the same relation to foreign competition as to-day, when the duty is lower, but in consequence prices and rents also lower. For an indefinite time, *until* the increase of land values is generally accomplished (and this will not take place over night), our productions of bread-stuffs may receive an impulse,

\* Upon this see my *Sozialpolitik und Handels-Politik*, 1902, pp. 53, 54.

the "national" agriculture may attract labor and capital, and may leave the "cosmopolitan" export industries deserted. But, *after* the costs of producing agricultural crops shall have been raised all around to correspond with the increased value of land, the ability of our agriculture to compete in our home market will be no greater than previous to the raising of the agricultural duties.

Then foreign farm products will compete as effectively as to-day. Then domestic production will have to take back the step which it took forward. Since the increase of land values must neutralize the raising of agricultural duties, sooner or later the importation of farm products will flow in anew, in spite of the higher burden. At the same time the exports of some branches of manufacture will be increased in payment for these foreign imports. In other words, the development of Germany to an "industrial state" will begin anew.

*In the long run everything remaining as originally!* The farmer will only be enticed to an increase of his production, which will later prove a source of loss. The clamor of the present will have been hushed only to arouse the same complaints in the future.

Only as agricultural protection is continually increased, and as (with every increase of land values resulting) further protection is resolved upon in order to check the threatening flood of imports, can the expansion of agriculture, or even the maintenance of the *status quo* be assured, and the ultimate expansion of manufactures be checked. In other words, only as conscious socially and politically questionable advancements of rent are continually adopted, and as the distribution of wealth remains continually disproportionate!

I do not know whether Wagner and his followers are aware of this consequence. To me it is conclusive against the system of "readjustments without end," as Brentano has very significantly characterized them. If Germany

accepts the new tariff, with its materially higher duties, it will only be able to call a halt to further industrialization by following it up after a while with a still higher tariff. It is possible to stimulate domestic agriculture by means of protective duties only on condition that a continually higher tribute is imposed upon the mass of consumers for the benefit of producers.

This ought not to be. We who are to-day fighting the same battle in Germany which Cobden and Bright fought in England want no such increase of rent at the expense of wages.\*

We desire that the trade policy of our country shall not subserve the interests of the minority, but "the greatest good of the greatest number." Professorial agrarians, it is true, have no intention of injuring the interests of the working classes. They regard the increasing burden upon grain as a fatal necessity imperatively demanded in the interest of the nation. This necessity exists in their minds because they are hypnotized by those two dangers, the first of which (the difficulty of marketing our wares) is, as we say, a delusion; while the second (the difficulty of supplying our people with food) truly does exist, but exists whether Germany continues on the highway of industry or in the future supplies herself with food.

(B) The group of which Wagner is the head, and with them the adherents of the *Bund* and the Conservatives, justify on *future* considerations (a future which they have made out of whole cloth) a much more forcible protection, especially agricultural protection, than the December tariff provides. On the other hand, Schmoller and his followers, and the government, too, in certain respects, on present considerations, justify for Germany the material raising of her general scale of duties.

Whereas the former wish that the December tariff shall

\* On the special question of the influence of grain duties on wages, see my essay, *Kornzoll und Socialreform*, 1900. On the general question of the influence of the protective system on wages, see my essay, *Producenten-Interesse der Arbeiterklasse und die Handelsfreiheit*, 1903.

actually go into effect (at least that the increased agrarian duties shall be fully adhered to in the pending negotiations for treaties), the latter look upon the December tariff as a provisional measure, as a mere bargaining tariff. What items shall remain, what items will have to be reduced, will appear in the course of the diplomatic negotiations. According to circumstances, larger or smaller concessions will have to be made as well in the case of duties on manufactures as on the unfixed agricultural duties.

The former are in bitter earnest, the latter are only manœuvring. They contend, since other nations, particularly Russia, France, and the United States, pursue a policy of exclusion, that we must at least act as if we were determined to raise our tariff wall. Only then can we hope that our neighbors will be persuaded to deal satisfactorily with us in tariff negotiations. The present tariff is too low to guarantee us the "weapons" which a consideration of the concrete situation demands.

I regard these arguments as in no way conclusive, and I expect little from the tactics founded upon them.

Let us consider the consequences.

One result is assured. With such increased tariffs the protectionist appetite is whetted, though it is well known that at best it can only be partially satisfied. This whetting of the appetite may lead to very unpleasant surprises, even though the ministry has ever so often insisted that certain increased duties were to be regarded as "compensation material." When later on the reciprocity tariff, with its rates lowered in many instances, is brought into parliament, it may turn out that protectionist opposition will be encountered, which will be far stronger than before the raising of the general duties. During the time intervening between their publication and the discussion of treaties the internal situation may have appreciably changed, so that certain interested groups may have become powerful, while pretending to know nothing of

the fact that the rates which concerned them were only raised that they might be lowered again; and they will cry out bitterly against the ministry because of its too ready compliance. The minister of commerce will then be in the unfortunate position of lamenting, with the pupil of magic in Goethe's poem, "Die ich rief, die Geister, werd' ich nun nicht los!"

In the seventeenth and eighteenth centuries an absolute monarch instructed his diplomat to be as exacting as possible in order thus to inspire the greatest possible respect on the other side. This was a method in which diplomatic action might in some cases be wrecked; but, if the affair came to a satisfactory conclusion, more had very likely been secured than would have been the case, had too many concessions been offered from the beginning. Even to-day a state like Russia may pursue with success this policy of demanding for the purpose of conceding, where the government has no reason to fear that the whole reciprocity tariff under consideration may be annulled by parliamentary opposition.

But for constitutional states it is especially dangerous. In case treaties with foreign countries are brought about as a result of this whetting of the appetite, enemies are made at home; and, if they are overcome, the number of discontented will, for the future, be increased. The German ministry proceeded according to these tactics in 1887, when they advocated the increase of the duty on grain from 3 marks to 5 marks. They wished to secure "compensation material" for treaty negotiations to be entered into later. The tactics succeeded; for when in 1892-94 they accorded to Austria-Hungary and Russia the reduction from 5 marks to  $3\frac{1}{2}$ , grain duties, they induced these states to conclude tariff treaties with us. But with this grain tariff of 1887, which was meant only as a negotiation tariff, they had whetted the appetite of the agriculturists. It is true the Agrarians suffered a repulse in

1892-94; but immediately after, the discontented began to gather to the phalanx of the agriculturist league (*Bund der Landwirte*), which, after a decade of the most bitter internal dissension, forced the ministry not only to restore the tariff of 1887, but even to considerably increase it. The example teaches that, if treaties are brought about as a result of an increased "bickering tariff," perhaps only a Pyrrhine victory has been won.

But whether tariff treaties come about becomes the more problematical in direct proportion as the weapons of the home country are made sharper. Or, to use an expression very common among us, the heavier our cavalry boots, the more likely will it be that this fashion be generally adopted. Even the very governments which have special misgivings against it will fall in with the custom, in order not to lay themselves open to the charge of cowardice.

The prophecy was not hard to make that, as a result of the German procedure, an international armament epidemic would be precipitated, and was fulfilled exceedingly rapidly. Aiming especially at us, Austria-Hungary, Switzerland, and Russia raised their tariff walls.\*

Because the German agrarians had secured a higher protection, the agrarians of Austria-Hungary demanded the same (and received it) on the plausible ground that otherwise a flood of Russian and Rumanian grain would threaten them. Because the German manufacturers had received many tariff favors, these were accorded also to the manufacturers in the neighboring states. As Germany had given as a motive for her dealings the exclusive policy of the United States and France, so our former partners justified a similar procedure upon their part by the policy which Germany had manifested. As Germany made it known that she had by no means the evil intention that might appear, but was ready to

\* The publication of a new, higher general tariff is to be expected shortly from Italy.



make terms, so the other states gave the same assurance, and emphasized that "on principle" they were ready to make treaties. But, *si vis pacem, para bellum*. Their ministries, just like ours, use this proverb as a by-word for the justification of their tariff manœuvres. But will peace or war be the outcome?—that is the question. Upon the United States and France, Germany has made no impression by her armament, has not even sought to do so; for agreement with these countries lies for the present considerably beyond the realm of possibility.\*

Germany thus far has only succeeded in making the protectionist parties of Austria-Hungary, Russia, and Switzerland, more passionately clamorous than ever. In any case there would be many difficulties to overcome in the negotiations. The difficulties, however, are now considerably greater than they would have been if Germany had continued with her former general tariff.

The melancholy complaint that a long time will have to pass before new tariff agreements can be concluded comes even from that part of the German press in which formerly the armament policy found its especial support; that is, from the press representing the manufacturers, some of whom, it is true, would like to see higher duties, but most of whom regarded them merely as a means of eliciting from foreign countries more favorable concessions. "The negotiations must now be conducted not on the basis of existing tariffs familiar for years, but on the basis of tariffs entirely new, which have not been tested by experience, whose content has not been cleared up and explained by the elaboration of new official speci-

\* It is obvious enough why an agreement between Germany and France is not to be thought of. That a tariff agreement between us and the United States is quite desirable, Count Posadowski has lately stated with emphasis. But, unfortunately, public opinion is more nervously excited towards the United States than to any other nation, as a result of their extremely favorable balance of trade during the last few years. Add to this the further consideration that the Dingley tariff is too inelastic, permitting of but slight series of reductions, and those unimportant. Before a treaty can be concluded with the United States, a revision of the Dingley tariff must take place.

fication lists of commodities. The mercantile people have not yet been able to gather any experience as to the working of these. Ministries and negotiators will first have to study these innovations before they can formulate their demands." \*

No nation knows what the other has in mind, as to which tariff groups it is disposed to yield, and to what extent.

It is true that the governments, often showing their teeth for a while, may come to terms in the end, and the parliaments approve the agreement. But it is equally possible for the negotiations to be wrecked in the preliminary stage, in the cabinets, for each state may trust too much in its own weapons, each one thinking that the other will ultimately yield more; and so the psychological moment will go by, or else the negotiators, distracted by the sight of the protectionist party of their own land, will venture too little concession. It is almost certain, at any rate, that the German negotiators will be extremely chary in the use of the "compensation material" of most value; namely, the unfixed agrarian duties. For, if these are compromised, they know that the agitation of the *Bund* will break forth with elemental force. A difficult problem indeed confronts them. If they preserve an attitude too reserved, they will gain too little from foreign negotiators. If they are too generous, they will be in danger of being repudiated by the agrarian majority of the Reichstag.

Count Caprivi was once advised to equip himself with a negotiation tariff of higher duties, in order to procure "objects of barter." He replied that this was the worst policy any one could think of for obtaining good treaties. It seems to me that he was entirely right. To-day, however, when trade jealousy has eaten further and deeper than at that time, there are still weightier considerations which argue against the "armament tactics."

Another policy would have guaranteed the continua-

\* *Deutsche volkswirtschaftliche Correspondenz*, 3 February, 1903.

tion of the treaty era, which would have more effectively secured the further extension and maintenance of trade between Germany and the world. If Germany had increased only those tariff groups which she felt unavoidably bound to raise, on account of the pressure of the agrarian party, and had increased them only to as high a rate as she intended to maintain; had she declared that she for the rest was quite ready in a new reciprocity tariff to grant under certain circumstances the same, and possibly even greater, concessions in case she should be met half-way,—had she pursued this policy, presumably the international “armament epidemic” would not have broken out. For in this case Germany, instead of making opponents everywhere, would have gained allies abroad. She would have been pursuing a policy which I would like to formulate thus: *Si vis pacem, para socios*.

In that case those foreign groups of producers who in the past have supplied the German market, and who now might hope to gain still further hold on that market, would have urged their governments and parliaments not to refuse the hand proffered by Germany, not to destroy that hope by raising their customs duties.

Whereas now the agrarians of Austria-Hungary, Russia, and Switzerland are using their political influence to make their states take up arms against Germany, whereas at present the agrarians of these nations are making common cause with our “home market” sentiment, they might have joined in alliance with our manufacturers who are interested in the export trade, and have fought down the protectionist desires of their own manufacturers who are hostile to treaties. Germany would have won allies in foreign countries, and with these would have held the enemy in check.

The fact that our agrarians and their academic partisans would have nothing to do with such a policy (their by-word being only “armament tactics”) is easily ex-

plained. They would be best pleased if no reciprocity tariff were effected, but that the general tariff of the 14th of December, with its inordinately high rates on all agricultural products, should come into full operation. But I cannot understand how men like Schmoller can take this position, nor men like our ministers, who wish peace rather than war, who have again and again declared that on the basis of the increased agricultural duties they are endeavoring only to bring about the conclusion of new treaties similar to the former ones, but with stronger protection to agriculture "on a just and equitable basis." It is true, I repeat, that the "armament tactics" may gain their object, but only by a roundabout course which involves the possibility that the goal may be missed, and the result of which may be that the neo-Mercantilism, which ought to be opposed, will gain a surer footing, and extend to other countries.

The economic fighting situation of Germany in the international world of trade is by no means improved by raising the tariff walls in such places as she is willing shall be levelled again. The other nations have promptly imitated the manoeuvre. Thus only confusion has been brought about, and opposition stirred up which might have been avoided.

*Qui vivra, verra!* My surmise is that, as a result of the "armament tactics," the good intention of Germany of obtaining again a comprehensive "international agreement," as in 1892-94, will be unsuccessful for the present. If, indeed, the elections to the Reichstag turn out against the Agrarians, matters might be different. A compromise might be effected with Austria-Hungary, Switzerland, etc., as soon as the German negotiators are freed from the nightmare that their labors will come to naught through the action of the agrarian majority, should they reduce the unfixed agrarian duties too much; that is, those upon cattle and garden produce. But, if the parlia-

mentary situation remains about the same after the election as it is to-day, I should like to prophesy that the agreement with Belgium will be the only one saved out of the confusion — only a pitiful fragment of the treaties in force at the present time.

In conclusion, I disapprove of the new tariff as a permanent arrangement, in so far as its content has already been determined; *i.e.*, as it contains minimum duties on grain, which are far higher than the rates of former reciprocity tariffs. Germany needs no higher protection against foreign agricultural imports, but an extension as well as maintenance of the exports of her manufactures. I also condemn the new tariff in so far as it is intended only as an “object of barter.” The method of negotiation upon the basis of the previous general tariff would have been much more promising than that of making “proposals” with the intention of conceding the point,—a plan which Dr. Barth satirized so well in *Die Nation* as having been elsewhere employed only in dickering over the sale of old coats and trousers.

H. DIETZEL.

UNIVERSITY OF BONN.